

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 15, 2014

Project Number CA-14-890

Project Name Santa Fe Apartments
 Site Address: 16576 Sultana Street
 Hesperia, CA 92345 County: Riverside
 Census Tract: 100.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$222,913	\$0
Recommended:	\$222,913	\$0

Applicant Information

Applicant: Santa Fe Hesperia AR, L.P.
 Contact: Thomas Erickson
 Address: 330 W. Victoria Street
 Gardena, CA 90248
 Phone: 424-258-2918 Fax: 424-258-2919
 Email: thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s): WCH Affordable XI, LLC
 HCHP Affordable Multi-Family, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Western Community Housing, Inc.
 Highridge Costa Housing Partners, LLC
 Developer: Highridge Costa Housing Partners, LLC
 Investor/Consultant: Victoria Capital, LLC
 Management Agent: ConAm Property Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 11
 Total # of Units: 89
 No. & % of Tax Credit Units: 88 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 36
 Number of Units @ or below 60% of area median income: 52

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 1, 2014
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

16 1-Bedroom Units
 16 2-Bedroom Units
 49 3-Bedroom Units
8 4-Bedroom Units
 89 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	50%	44%	\$502
9 1 Bedroom	60%	55%	\$628
7 2 Bedrooms	50%	44%	\$603
9 2 Bedrooms	60%	55%	\$753
19 3 Bedrooms	50%	44%	\$697
3 3 Bedrooms	60%	44%	\$697
26 3 Bedrooms	60%	55%	\$871
3 4 Bedrooms	50%	44%	\$778
5 4 Bedrooms	60%	55%	\$972
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$770

Project Financing

Estimated Total Project Cost: \$7,255,931
 Estimated Residential Project Cost: \$7,255,931

Residential

Construction Cost Per Square Foot: \$11
 Per Unit Cost: \$81,527

Construction Financing

<u>Source</u>	<u>Amount</u>
American First TE Investors, LP	\$4,882,000
Seller Carryback	\$1,303,518
Income During Rehabilitation	\$119,348
Deferred Costs	\$795,239
Tax Credit Equity	\$155,826

Permanent Financing

<u>Source</u>	<u>Amount</u>
American First TE Investors, LP	\$3,031,614
Seller Carryback	\$1,303,518
Income During Rehabilitation	\$119,348
Deferred Developer Fee	\$795,239
Tax Credit Equity	\$2,006,212
TOTAL	\$7,255,931

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$1,472,718
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,945,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$1,914,533
Qualified Basis (Acquisition):	\$4,945,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$56,761
Maximum Annual Federal Credit, Acquisition:	\$166,152
Total Maximum Annual Federal Credit:	\$222,913
Approved Developer Fee (in Project Cost & Eligible Basis):	\$837,094
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	\$0.90000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$6,417,718
Actual Eligible Basis:	\$6,417,718
Unadjusted Threshold Basis Limit:	\$23,738,800
Total Adjusted Threshold Basis Limit:	\$33,234,320

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 40%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: This application is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) property, Santa Fe Apartments (CA-97-551).

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$222,913	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: None.